



LONGWOOD UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

We have audited the basic financial statements of Longwood University as of and for the year ended June 30, 2018, and issued our report thereon, dated July 17, 2019. Our report, included in Longwood's Annual Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the Longwood's website at www.longwood.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- three deficiencies that we consider to be material weaknesses in internal control;
- additional internal control findings requiring management's attention; and
- seven instances of noncompliance or other matters required to be reported under Government Auditing Standards.
- Longwood has not taken adequate corrective action with respect to four previously reported findings. Accordingly, we designated these findings with a "repeat" label in the section entitled "Internal Control and Compliance Findings and Recommendations." Longwood has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

Our audit also included testing over federal Student Financial Assistance in accordance with the U.S. Office of Management and Budget Compliance Supplement Part 5 Student Financial Assistance Programs; and found internal control deficiencies requiring management's attention and instances of noncompliance in relation to this testing.

–TABLE OF CONTENTS–

Pages

AUDIT SUMMARY

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

1-11

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROLS OVER
FINANCIAL REPORTING AND ON COMPLIANCE WITH OTHER MATTERS

12-14

LONGWOOD’S RESPONSE

15-17

LONGWOOD OFFICIALS

18

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Financial Reporting Processes

Type: Internal Control

Severity: Material Weakness

Repeat: No

Longwood University's (Longwood) Financial Operations does not have adequate internal controls over its financial reporting process. Numerous adjustments and errors to the financial statements indicate that the current process for compiling the financial statements does not prevent, or detect and correct on a timely basis, material misstatements to the financial statements. We found the following errors requiring adjustment, because Financial Operations:

- Understated capital assets by \$2.5 million, as described in the finding "Strengthen Internal Controls over Capital Assets;"
- Understated future minimum operating lease payments in the commitments footnote by \$1.6 million due to errors in the calculation based on using an improper lease term;
- Improperly classified appropriated capital project funds totaling \$1.0 million as restricted net position. Governmental Accounting Standards Board (GASB) Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, states that capital contributions should not be displayed as a separate component of net position;
- Improperly included noncash transactions and excluded gifts from the Real Estate Foundation on the cash flow statement with aggregate errors totaling \$4.5 million;
- Included audited information for the component units untimely and did not ensure that the amounts in the component unit footnote agreed to amounts on the financial statements. The capital asset footnote did not agree to the amounts for depreciable and non-depreciable capital assets on the financial statements by \$882,499;
- Incorrectly classified other post-employment benefits asset totaling \$856,000 as unrestricted rather than restricted as required by GASB Statement Number 75;
- Omitted other post-employment benefit liability of \$293,534 from the financial statements;
- Omitted required payables within the footnotes for other post-employment benefits; and

- Inaccurately prepared the footnotes and required supplementary information pertaining to pensions and other post-employment benefits, requiring multiple wording and amount adjustments to align with state provided schedules and disclosures.

Financial Operations does not have adequate staff with the appropriate expertise and knowledge of governmental accounting standards and best practices in financial reporting relevant to public colleges and universities to prepare the financial statements and perform a thorough review. Management is responsible for designing and maintaining a system of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement in accordance with generally accepted accounting principles. The lack of adequate staff or a thorough review process creates an environment in which reporting errors happen and go undetected. As a result, we consider this a material weakness in internal control.

Management should ensure that Financial Operations has enough staff with the appropriate expertise and knowledge to properly prepare and review the financial statements. Management should also evaluate the training needs of staff participating in the financial reporting process to increase expertise and knowledge of governmental accounting standards and best practices in financial reporting relevant to public colleges and universities. Financial Operations should develop and implement policies and procedures over financial reporting, including proper review and approval of all financial statements and related disclosures.

Strengthen Internal Controls over Capital Assets

Type: Internal Control

Severity: Material Weakness

Repeat: Partial (first issued in fiscal year 2016, with limited progress)

Prior Title: Improve Capital Asset Policies and Procedures that Support Financial Reporting

Longwood does not have adequate internal controls over capital assets related to systems, financial reporting, and policies and procedures resulting in an understatement of Longwood's net capital assets by \$2.5 million.

As noted in the prior year, Longwood maintains two systems of record related to capital assets. One system is a manual spreadsheet used for financial reporting purposes, including calculating depreciation, while the other is capital asset management software used for tracking capital assets and is the source Financial Operations uses for departmental inventories. To ensure that the capital assets reported in the financial statements are accurate, Financial Operations must perform a reconciliation between the two systems. Due to the manual nature of the spreadsheet and an insufficient reconciliation process, Financial Operations understated net capital assets by \$254,155, as detailed below:

- For fiscal year 2018, Financial Operation's reconciliation between the asset systems was incomplete. Financial Operations did not reconcile additions to asset categories other than equipment totaling \$2.2 million and disposals across all asset categories of

\$15.8 million. Without a complete reconciliation, Financial Operations did not identify assets that were disposed of twice within the current fiscal year, which are included in the next bullet.

- Financial Operation's manual spreadsheet does not prevent duplication of an entry to add or dispose of an asset. In fiscal year 2018, Financial Operations disposed of assets that were already disposed in the current and prior years, resulting in a \$671,249 understatement of net capital assets.
- The formula to summarize accumulated depreciation in Financial Operation's manual spreadsheet does not include the current year depreciation expense for assets disposed in the current year. For this reason, Financial Operations did not include the current year depreciation in additions to accumulated depreciation for buildings, overstating net capital assets by \$417,094.

Financial Operations staff do not receive adequate financial reporting training, and the review process did not detect errors within work prepared by Financial Operations staff prior to inclusion in the financial statements. Errors related to financial reporting understated the beginning balance for net capital assets by \$422,552 and net capital assets at fiscal year-end by \$2.2 million, for the following reasons:

- Financial Operations incorrectly included the reversal of prior year payables as Construction-in-Progress (CIP) deletions, requiring a \$2.7 million adjustment between additions and reductions to CIP.
- Financial Operations did not include \$1.7 million of fiscal year 2018 payables in CIP, understating net capital assets. Financial Operations did not accrue this expense because they used the wrong goods and services receipt date in the Commonwealth's accounting and financial reporting system, and Financial Operations only recorded retainage payable through May instead of June 2018.
- Financial Operations improperly included adjustments for prior year's acquisitions and disposals in current year activity rather than as a beginning balance adjustment, overstating beginning net capital assets by \$35,770.
- Financial Operations incorrectly added current year depreciation to the beginning balance of accumulated depreciation for a building disposed in the current year and reduced the beginning balance of accumulated depreciation for a prior year audit adjustment that they already included in the prior year ending balance, understating beginning net capital assets by \$458,322.

- Financial Operations improperly excluded some 2018 acquisitions and disposals from the current year financial statements and recorded them in fiscal year 2019 instead, understating net capital assets by \$65,406.

Financial Operations does not have adequate policies and procedures related to capital assets. Policies and procedures are necessary to ensure the proper recording, tracking, and management of capital assets, as well as to ensure that such assets are not subject to misappropriation. Financial Operation's capital asset policies and procedures are deficient in the following areas:

- The capital asset policy does not explain how Financial Operations re-evaluates useful lives before assets fully depreciate.
- There is no policy for tracking and reporting CIP.
- There is no policy for how to differentiate between costs that are capitalizable or expensed as maintenance.
- There is no policy for intangible assets, internally developed software, or software licenses.
- The impairments policy does not explain how Financial Operations will determine if there are any impairments.

A lack of policies and procedures resulted in the following issues:

- In a sample of eight assets, Financial Operations only recorded one asset in Longwood's asset systems within 30 days of receipt, with the remaining assets recorded between two and nine months after receipt.
- Financial Operations capitalized several assets for the incorrect amount, due to exclusion of installation costs, grouping multiple assets together, and human error.

In total, Financial Operations understated Longwood's net capital assets by \$2.5 million. We consider the combination of issues noted to be a material weakness as the current process does not prevent, or detect and correct on a timely basis, material misstatements to the financial statements.

The cause of these issues is threefold. First, Financial Operations does not have an adequate system in place for financial reporting of capital assets. Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 31010 states that Longwood is responsible for maintaining a system which provides for control of capital assets, generally accepted accounting principles based financial reporting, and internal controls. In addition, Financial Operations staff do not have adequate financial reporting training nor is there sufficient review of work prepared. Without adequate financial reporting training, Financial Operations staff cannot properly prepare the capital asset footnote and financial

statements. Finally, Financial Operations does not have sufficient policies and procedures in place for capital assets. CAPP Manual Topic 20905 states that CAPP Manual policies alone do not eliminate the requirement for each agency to publish its own internal policies and procedures. The lack of complete and up-to-date policies and procedures, customized to reflect the agency's staffing, organization, and operating procedures, reflects inadequate internal control.

Financial Operations should continue its plan to implement the governmental module of the capital asset management software in order to use the automated system for financial reporting rather than the manual excel spreadsheet. Additionally, Financial Operations staff should receive additional training related to financial reporting of capital assets. Work prepared by Financial Operations staff should undergo a more thorough supervisory review prior to being included in the financial statements. Finally, Financial Operations should improve their current policies and procedures to strengthen the controls surrounding capital assets and to ensure that Longwood is properly reporting capital asset information.

Improve Database Security and Information System Access Controls

Type: Internal Control and Compliance

Severity: Material Weakness

Repeat: Yes (first issued in fiscal year 2017)

Longwood does not secure the database that supports its financial management system with certain minimum security controls required by its adopted security standard, ISO 27002 (Security Standard), and industry best practices. In addition, Longwood does not have appropriate procedures and processes to assign and restrict elevated access to Longwood's accounting and financial reporting system. Longwood corrected the inappropriate access when we identified it during the fiscal year 2017 audit in May 2018. However, because the inappropriate access was in effect for the majority of fiscal year 2018, Longwood could not mitigate the risk for fiscal year 2018.

We communicated the control weaknesses to management in a separate document marked Freedom of Information Act (FOIA) Exempt under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard and industry best practices require the implementation of certain controls that reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

Longwood should ensure database configurations, settings, and controls align with its policies and the requirements in the Security Standard and industry best practices, such as the Center for Internet Security Benchmark. Implementing these controls will help maintain the confidentiality, availability, and integrity of the sensitive and mission critical data stored or processed in the database.

Continue to Improve Oversight of Third-Party Service Providers

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2015)

Longwood continues to not gain assurance or have sufficient oversight of its third-party service providers. To address this weakness, Longwood has draft procedures that outline the process Longwood will follow to gain assurance over the security controls for its third-party providers. Longwood also has a data protection addendum to include in all third-party provider contracts that communicates Longwood's minimum security controls and gives Longwood the right to audit. In addition, Longwood has a draft questionnaire that will help identify third-party providers to ensure Longwood includes the proper contract language and security control requirements in future contracts. Longwood expects to approve and begin implementing the procedures, contract addendums, and questionnaire in June 2019.

Longwood's Security Standard, section 15, requires organizations to establish supplier agreements to address all relevant information security requirements where a supplier may access, process, store, communicate, or provide information technology (IT) infrastructure components for the organization's information. In addition, the Security Standard requires that the agreements should define the supplier's obligation to deliver an independent report on the effectiveness of controls and agreement on timely correction of relevant issues raised in the report.

Without the necessary contract language and processes to provide oversight of third party providers, Longwood cannot gain reasonable assurance the providers have effective operating controls that meet or exceed the requirements in its Security Standard and Longwood's internal policies for protecting sensitive data.

Longwood lost two information security staff members during fiscal year 2018 and has limited IT resources to develop and complete the third-party procedures and questionnaire. Additionally, Longwood only recently identified the need to include the data protection addendum in all its contracts with third-party providers.

Longwood should acquire the information security staff, or allocate existing staff, to complete and implement its draft third-party provider procedures and questionnaire according to its current timeline of June 2019. In addition, Longwood should work with its third-party vendors to include the data protection addendum in each contract. Doing this will ensure Longwood gains the proper assurance and has the necessary oversight to help ensure its third-party providers maintain the confidentiality, integrity, and availability of sensitive and mission-critical data.

Continue to Improve Continuity of Operations Planning

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2016)

Longwood continues to implement its corrective action plan to address the weaknesses in its risk management and contingency planning process and documentation. Longwood is making progress to improve and update its continuity of operations plan (COOP) and IT disaster recovery plan (DRP) and process. However, the following weaknesses exist:

- The recovery time objectives (RTOs) documented in the COOP and the IT DRP do not align. The IT DRP documents a recovery time of 'within 30 working days of the disaster' for all systems and the COOP documents recovery times ranging from 12 hours to two weeks for each system that supports mission and primary business functions. The COOP and IT DRP do not align because Longwood develops each document independently between the departments responsible for developing and implementing them. The Security Standard, section 17.1.2, requires that organizations establish, implement, and maintain processes, procedures, and controls to ensure the required level of continuity for information security during an adverse situation. Having contingency management documents with inconsistent RTOs may affect Longwood's ability to prioritize the restoration of critical and mission essential systems in the event of an outage or disaster.
- Longwood has 15 sensitive systems that require a risk assessment (RA). Longwood does not have RAs for seven of the 15 systems. Longwood completed RAs for eight of the 15 systems, but did not perform an annual review and revision for six of the eight RAs that are complete. Two of the seven systems that require a RA are hosted systems, and Longwood plans to complete the RAs for these two systems as part of their new service provider oversight process. The Security Standard, section 0.2, requires that an organization identify threats to its assets, along with evaluating vulnerabilities and impact, by conducting a risk assessment. Without conducting a risk assessment for each sensitive system, management may not correctly prioritize information security risks and implement appropriate controls to help mitigate those risks. By not updating its risk assessments to reflect changes to its sensitive systems, Longwood increases the risk of not securing its sensitive systems adequately against known vulnerabilities that can affect data confidentiality, integrity, and availability.
- Longwood's most recent review and revision of its IT DRP is January 2017, and the most recent DR test is 2016. The Security Standard, section 17.1.3, requires that organizations verify the established and implemented information security continuity controls via regular exercises and tests to ensure that they are valid and effective during adverse situations, and that organizations review and evaluate information security continuity measures at regular intervals. Without regular disaster recovery testing, Longwood cannot ensure processes exist and function properly to restore

sensitive systems within RTOs in the event of a system failure or disaster. Additionally, without updating the IT DRP to reflect the current IT environment, Longwood increases the risk of not prioritizing and assigning resources appropriately in the event of an outage or disaster.

Turnover in the Emergency Management Coordinator position over the last several years contributed to Emergency Management, IT, and the information security office not coordinating efforts to develop and align the COOP and IT DRP. Additionally, Longwood lost two information security staff members during fiscal year 2018, which contributed to the delay of updating the risk assessments and disaster recovery plan and conducting disaster recovery tests.

The Longwood Emergency Management, IT, and information security groups should coordinate efforts to ensure the RTOs in the IT DRP and COOP align to help prioritize and restore mission essential functions. In addition, Longwood should acquire the information security staff necessary to improve its risk management and contingency management processes. Once Longwood hires the necessary security staff, Longwood should develop a plan to complete RAs for all sensitive systems and develop processes to ensure the RAs receive an annual review and revision to ensure their validity. Further, Longwood should update its IT DRP and develop a plan to conduct regular disaster recovery tests. Doing this will help to ensure Longwood protects the confidentiality, integrity, and availability of its sensitive and mission critical systems.

Improve Information Security Policies and Procedures

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Longwood bases its information security policies and procedures on the ISO/IEC 27002:2005 Security Standard, which is no longer valid. The ISO/IEC 27002:2013 supersedes the ISO 27002:2005 version. Information Technology Services (ITS) has not reviewed and revised its information security policies and procedures to align with the requirements in the current Security Standard version and has not reviewed and revised any of its information security policies and procedures since 2013.

Longwood's Security Standard, section 5, requires Longwood to define, approve, communicate to employees, and periodically review a set of policies for information security, in addition to defining and publishing procedures that mandate effective implementation of information security controls. Longwood's University Policy Management policy requires that vice presidents or their designees conduct a biennial review and revision, if necessary, of university policies.

Without updating its policies and procedures to the current Security Standard version, Longwood's policies and procedures may not contain processes to support control requirements that align with current technologies. Also, Longwood may not effectively communicate security requirements to protect and mitigate risks to data without current and approved information security policies. Additionally, Longwood may inconsistently address security needs across the IT environment,

potentially resulting in unauthorized access to data or the inability to recover from system outages promptly, among other risks.

ITS does not have a process to ensure its information security policies and procedures receive the appropriate review and revision according to the University Policy Management policy, and this is a contributing factor to the policies and procedures being out-of-date. In addition, ITS did not have a dedicated resource to review and revise the information security policies and procedures and only recently hired an individual responsible for maintaining its IT policies and procedures.

Longwood should review and update all information security policies and procedures to align with the requirements in the current Security Standard version. Once Longwood updates all of the information security policies and procedures to the current Security Standard, the individual responsible for maintaining Longwood's information security policies and procedures should ensure they remain current. Having policies and procedures that align with a current Security Standard and remain current will help to protect the confidentiality, integrity, and availability of Longwood's mission critical and sensitive data.

Improve Firewall Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Longwood does not properly secure its enterprise firewall in accordance with its policies and its Security Standard.

We communicated three separate control weaknesses to management in a separate document marked FOIA Exempt under § 2.2-3705.2 of the Code of Virginia, due to it containing descriptions of security mechanisms. The Security Standard requires the documentation and implementation of certain controls that reduce unnecessary risk to the confidentiality, integrity, and availability of the Longwood's information systems and data.

Longwood should develop a plan to implement the controls discussed in the communication marked FOIA Exempt in accordance with the Security Standard in a timely manner. Doing this will help to ensure Longwood secures its network to protect its sensitive systems and mission critical data.

Improve Reporting to the National Student Loan Data System

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

During aid year 2018, Longwood personnel did not report enrollment data to the National Student Loan Data System (NSLDS) accurately and timely. The underlying cause for the withdrawals errors is indeterminate at this time and will require additional research. For the graduation errors, Registrar personnel were not aware of the requirement to send a second file of graduate information

only to NSLDS and a comprehensive monitoring process has not been implemented. Registrar personnel reported the following enrollment information incorrectly:

Graduates

- Twenty-two of 23 (95%) students tested had an incorrect effective enrollment status;
- Twenty out of 23 (86%) students tested had an inaccurate effective date; and
- Nineteen out of 23 (82%) students tested were not reported timely.

Withdrawals

- Three of 26 (11%) students tested had an incorrect effective enrollment status;
- Seven out of 26 (26%) students tested had an inaccurate effective date; and
- Six out of 26 (23%) students tested were not reported timely.

In accordance with Code of Federal Regulations 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, published by the U.S. Department of Education, enrollment changes must be reported to NSLDS within 30 days when attendance changes, unless a roster file will be submitted within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Untimely and inaccurate data submission to NSLDS can affect the reliance placed on the system by the U.S. Department of Education for monitoring purposes and other higher education institutions when making aid decisions. Noncompliance may also have implications on an institution's participation in Title IV programs and can potentially impact loan repayment grace periods.

Management should perform a comprehensive review of current enrollment reporting policies and procedures to improve timeliness of submissions to NSLDS. Once all students are graduated for a specific term, Longwood should send a second enrollment file to the NSLDS prior to sending the first enrollment file in the new term. Management should implement corrective action to prevent future noncompliance and should consider implementing a quality control review process to monitor the accuracy of submitted enrollment batches at both the campus and program levels in NSLDS.

Properly Process Title IV Refund Calculations

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

Financial Aid Office personnel did not accurately perform Title IV return calculations for the fall 2017 semester and incorrectly disbursed Pell grant funds. During the audit, the following deficiencies were noted:

- Financial Aid Office personnel used an incorrect number of 106 days in the fall 2017 semester for return of Title IV calculations. The Financial Aid personnel should have performed the calculation using a period of 105 days. Although Financial Aid personnel used the incorrect number of days for all calculations, the errors resulted in an understatement of earned aid totaling \$121.
- Financial Aid personnel awarded and disbursed Pell grant funds to a student who did not attend Longwood for the fall 2017 semester during which the award was disbursed. The error resulted in \$647 in questioned costs because Financial Aid Office personnel did not return the funds for the ineligible student to the Department of Education.

Code of Federal Regulations, 34 CFR § 668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. The institution must return the amount of unearned funds after the date that the institution determines the student has withdrawn. Failure to comply with the return provisions of the Code of Federal Regulations could result in the initiation of an adverse action by the U.S. Department of Education against Longwood. Financial Aid Office personnel use an online tool for calculating the percentages of aid earned and unearned by a student. Financial Aid Office personnel incorrectly entered the end date in the tool resulting in an error for all students requiring a return of Title IV calculation in the Fall 2017 term. For the remaining error noted, the Financial Aid Office did not have any knowledge about the student never attending class and did not take action to return the award to the Department of Education.

Financial Aid Office personnel should review their process for determining the calendar of days by which returns are calculated to ensure accuracy of return amounts. Additionally, the Financial Aid Office personnel should correct the erroneous award noted above. Management should perform a review of current policies and procedures surrounding the return of Title IV funds and implement corrective action to prevent future noncompliance including having management review the calendar dates prior to processing withdrawals when using the online tool. Communication with the Financial Aid Office is critical when students receiving financial aid either stop attending or never start attending classes.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 17, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Longwood University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER

FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Longwood University** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Longwood's basic financial statements and have issued our report thereon dated July 17, 2019. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of Longwood, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Longwood's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Longwood's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Longwood's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the section entitled “Internal Control and Compliance Findings and Recommendations,” we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies entitled “Improve Financial Reporting Processes,” “Strengthen Internal Controls over Capital Assets,” and “Improve Database Security and Information System Access Controls,” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies entitled “Continue to Improve Oversight of Third-Party Service Providers,” “Continue to Improve Continuity of Operations Planning,” “Improve Information Security Policies and Procedures,” “Improve Firewall Security,” “Improve Reporting to the National Student Loan Data System,” and “Properly Process Title IV Refund Calculations,” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Longwood’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled “Internal Control and Compliance Findings and Recommendations” in the findings entitled “Improve Database Security and Information System Access Controls,” “Continue to Improve Oversight of Third-Party Service Providers,” “Continue to Improve Continuity of Operations Planning,” “Improve Information Security Policies and Procedures,” “Improve Firewall Security,” “Improve Reporting to the National Student Loan Data System,” and “Properly Process Title IV Refund Calculations.”

Longwood's Response to Findings

We discussed this report with management at an exit conference held on July 18, 2019. Longwood's response to the findings identified in our audit is described in the accompanying section titled "Longwood's Response." Longwood's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

Longwood has not taken adequate corrective action with respect to the previously reported findings "Strengthen Internal Controls over Capital Assets," "Improve Database Security and Information System Access Controls," "Continue to Improve Oversight of Third-Party Service Providers," and "Continue to Improve Continuity of Operations Planning." Accordingly, we included these findings in the section entitled "Internal Control and Compliance Findings and Recommendations." Longwood has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

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7/25/19

Martha S. Mavredes, CPA
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes,

Longwood University has reviewed the Internal Control Findings and Recommendations provided by the Auditor of Public Accounts for fiscal year ending June 30, 2018 and is in agreement, in principle, with all of the findings submitted.

Attached for your consideration is a brief update as to where the campus is with respect to progress on the findings. The formal Corrective Action Workplan will be submitted within thirty days as required by CAPP Manual Section 10205. Please contact me should you have any questions or require additional information.

On behalf of Longwood University, please extend my appreciation to all of your staff for their professional audit work and recommendations.

Sincerely,



Louise Waller
Vice President for Administration and Finance

Office of the Vice President for Administration and Finance



FY 2018 – Internal Control Findings and Recommendations

Improve Financial Reporting Processes

- Longwood is implementing the following steps to ensure that the proper oversight and training occur for future financial statement preparation:
 - Weekly meetings will occur between the Fixed Asset Accountant, Financial Statement Accountant and Associate VP for Finance & Administration to review/discuss the financial statement project plan, GASB guidance, financial statement entries and upcoming due dates.
 - All due dates will be revised to ensure that adequate time is available for review of the information for accuracy. FY 19 financial statements will be reviewed by external consultants for accuracy.
 - Staff will continue to utilize the applicable listservs and training offered through Fiscal Officers of Colleges and Universities State Supported (FOCUS) along with direct correspondence with financial reporting staff at other higher education institutions when questions regarding financial statement entries or presentation arise.
 - Policies and procedures will be reviewed during the FY 19 financial statement preparation process and updated as appropriate.
 - Additional staff with the appropriate expertise and knowledge will be hired.

Strengthen Internal Controls over Capital Assets

- Longwood has implemented a number of steps and will continue to properly develop controls over capital assets.
 - Longwood has reviewed our procedures, compared our procedures to other universities, and accounting guidance to ensure the procedures are accurate. The Fixed Asset Accountant will continue to attend FOCUS meetings and utilize the FOCUS Fixed Asset Listserv to obtain training and guidance related to capital asset financial reporting.
 - The capital asset management software conversion to comply with GASB financial reporting standards is completed. The capital asset management software will provide the amounts for fiscal year 2019 financial statement reporting of capital assets.
 - Accounts Payable staff and Capital Design & Construction staff received guidance to ensure that accounts payable amounts and retainage payable amounts will be correct in future financial statements.
 - Additional staff with the appropriate expertise and knowledge will be hired.

Improve Database Security and Information System Access Controls

- Longwood has removed unauthorized access to system and implemented a reporting process to alert of system changes.

Continue to Improve Oversight of Third-Party Service Providers

- A process has been implemented to systematically onboard service providers products, to review compliance issues and to implement risk management.

Continue to Improve Continuity of Operations Planning

- Longwood has made progress in reviewing the COOP and is correcting the plan to better align with standard process.

Improve Information Security Policies and Procedures

- Policies and Procedures have been reviewed and changes submitted in adherence to University Policy.

Improve Firewall Security

- Current procedures have been reviewed and implementation of improved procedures are being implemented.

Improve Reporting to the National Student Loan Data System

- Longwood will institute various Quality Control Review (QCR) processes to monitor the accuracy of enrollment reporting. Responsibility for QCR will be shared between the Financial Aid and Registrar's Offices. To ensure that the effective date of enrollment status changes in NSLDS match Longwood records, the Financial Aid Office and Registrar's Office will review policies and procedures related to unofficial withdrawals to ensure communication and coding are accurate. The Registrar's Office will review the records with inconsistent dates and determine the appropriate corrective action. The National Student Clearinghouse (NSC) will be engaged for troubleshooting should we find incorrect dates.

To ensure that Longwood enrollment status matches NSLDS enrollment status, a second enrollment file will be sent at the end of each term after all students are graduated, and before the enrollment file for the following term is sent. This will result in an accurate enrollment status for graduated students.

Properly Process Title IV Refund Calculations

- To ensure that Longwood properly processes and calculates Title IV refunds, Longwood has two staff members in the Financial Aid Office performing withdrawal calculations. Both will perform calculations, and then conduct quality control checks of the other's work. Moving forward both staff members, the Director of Financial Aid, and the Registrar will review the calendar start, end, and break dates before processing withdrawals for each term.

The Financial Aid Office and Registrar's Office will meet to review policies and procedures to ensure proper communication and coding occurs in any situation that results in a withdrawal, official or unofficial.

LONGWOOD UNIVERSITY

Farmville, VA
As of June 30, 2018

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